



**Virginia Electric and Power Company  
Clean Air Act Civil Settlement  
April 2003**

**Overview:** On April XX, 2003, the U.S. Environmental Protection Agency and the Department of Justice announced a major Clean Air Act (CAA) settlement with Virginia Electric and Power Company (VEPCO) to resolve CAA violations at several of VEPCO's coal-fired power plants. The settlement is the culmination of an agreement in principle entered into by the parties on November 15, 2000. The United States, Virginia, West Virginia, and the Northeastern States of New Jersey, New York, and Connecticut are parties to the settlement. The National Park Service also participated in the settlement.

Under the settlement, VEPCO agreed to spend \$1.2 billion between now and 2013 to install state-of-the-art pollution controls to meet stringent pollution limits. The company will also retire pollution emission allowances that VEPCO or others could use to emit additional pollution into the environment. Approximately 237,000 tons of sulfur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>) emissions each year will be reduced from eight coal-fired electricity generating plants in Virginia and West Virginia. VEPCO will also pay a civil penalty of \$5.3 million and fund environmentally beneficial projects throughout the Northeastern United States and within Virginia and West Virginia valued at an estimated \$13.9 million.

This settlement is the latest in a series of cases to bring the coal-fired power plant industry into full compliance with the New Source Review requirements of the Clean Air Act. The VEPCO settlement represents the fourth and largest judicial settlement under the power plants enforcement effort. Previous settlements occurred in February 2000 with Tampa Electric Company (TECO), January 2001 with PSEG Fossil LLC and April 2003 with ALCOA, Inc.

**Background:** In November 1999, the Federal government sued seven other electric utility companies for CAA violations charging that these companies undertook major modifications at their power plants without installing equipment required to control pollution that causes smog, acid rain and soot. The Justice Department, on behalf of EPA, brought legal actions against dozens of coal-fired power plants controlled by American Electric Power, FirstEnergy, Illinois Power, Southern Indiana Gas & Electric Company, Cinergy, the Southern Company, and TECO. With the exception of TECO, settled in February 2000, those lawsuits continue, as do the EPA's enforcement efforts against the Tennessee Valley Authority (TVA) – a federal agency that owns and operates many coal-fired, electric generating plants.

**Environmental Benefits of the Settlement:** This settlement requires VEPCO to install pollution controls that will result in the removal of approximately 176,500 tons per year

of sulfur dioxide (SO<sub>2</sub>) and 60,400 tons per year of nitrogen oxides (NO<sub>x</sub>). VEPCO would also retire 45,000 SO<sub>2</sub> emission allowances each year beginning in 2012.

**NO<sub>x</sub>:** Nitrogen Oxide (NO<sub>x</sub>) causes a variety of health and environmental impacts, such as ground-level ozone, acid rain, particulate matter (PM), global warming, water quality deterioration, and visual impairment. NO<sub>x</sub> plays a major role, with VOCs, in the atmospheric reactions that produce ozone. NO<sub>x</sub> forms when fuel is burned at high temperatures. The two major emissions sources are transportation and stationary fuel combustion sources such as electric utility and industrial boilers.

**SO<sub>2</sub>:** High concentrations of sulfur dioxide (SO<sub>2</sub>) affect breathing and may aggravate existing respiratory and cardiovascular disease. Sensitive populations include asthmatics, individuals with bronchitis or emphysema, children and the elderly. SO<sub>2</sub> is also a primary contributor to acid deposition, or acid rain.

**Violations:** VEPCO, a subsidiary of Dominion Resources, Inc., operates eight coal-fired power plants in Virginia and West Virginia. In June 2000, the EPA notified VEPCO that the agency discovered Clean Air Act violations at the largest of these plants, the Mount Storm Power Station in West Virginia. Specifically, federal regulators said the company significantly modified the Mount Storm facility, increasing its pollution output, without applying for a Clean Air Act permit and taking steps to reduce increased emissions.

#### **Terms of the Proposed Consent Decree:**

***Injunctive Relief:*** VEPCO will spend an estimated \$1.2 billion over a 10-year period to implement the following injunctive relief:

- Achieve 60,400 tons of NO<sub>x</sub> reductions annually from VEPCO's coal-fired plants by operating eight new selective catalytic reduction (SCR) control systems—a very effective control system-- all year long at state-of-the art levels. These NO<sub>x</sub> reductions include approximately 16,650 tons per year required under EPA's NO<sub>x</sub> State Implementation Plan (NO<sub>x</sub> SIP Plan). VEPCO will install state-of-the-art NO<sub>x</sub> controls on 67% of the generation capacity of their coal-fired power plant fleet.
- Reduce emissions of SO<sub>2</sub> from about 263,000 tons per year to about 86,500 tons per year through the installation of state-of-the-art SO<sub>2</sub> controls on 70% of the generation capacity of its coal-fired power plant fleet. VEPCO will surrender 45,000 SO<sub>2</sub> emission allowances each year beginning in 2012. This surrender will prevent VEPCO and others from using these allowances to emit additional pollution into the environment.
- Eliminate the use of coal at the Possum Point power plant near Washington,

D.C., by converting the plant's coal-fired operations to use natural gas, a very clean-burning fuel.

- Upgrade and optimize equipment that control emissions of particulate matter from coal-fired plants.

***Environmental Projects:*** Under the settlement agreement VEPCO agreed to fund \$13.9 million in environmental projects throughout the Northeastern United States and within Virginia and West Virginia. These projects include:

- Clean Diesel, Idle Reduction and School Bus Retrofit Project - To Be Conducted within the District of Columbia, Delaware, Maryland, Pennsylvania, Virginia and West Virginia - \$2.5 million
- Resource Lands Acquisition Project - \$500,000
- New York Solar Photovoltaic (PV) Project - \$2.1 million
- New Jersey Public Transit -- Diesel Bus Catalyzed Particulate Filters Retrofit - \$2.7 million
- Connecticut School Bus Retrofit Project – \$1.1 million
- Virginia School Bus Retrofit Project – \$2.0 million
- Protecting Forests and other Natural Resources in West Virginia's Cheat Gorge / Big Sandy Area – \$2.0 million
- National Park Service Alternative-Fueled and Hybrid Vehicles Project – \$1.0 million

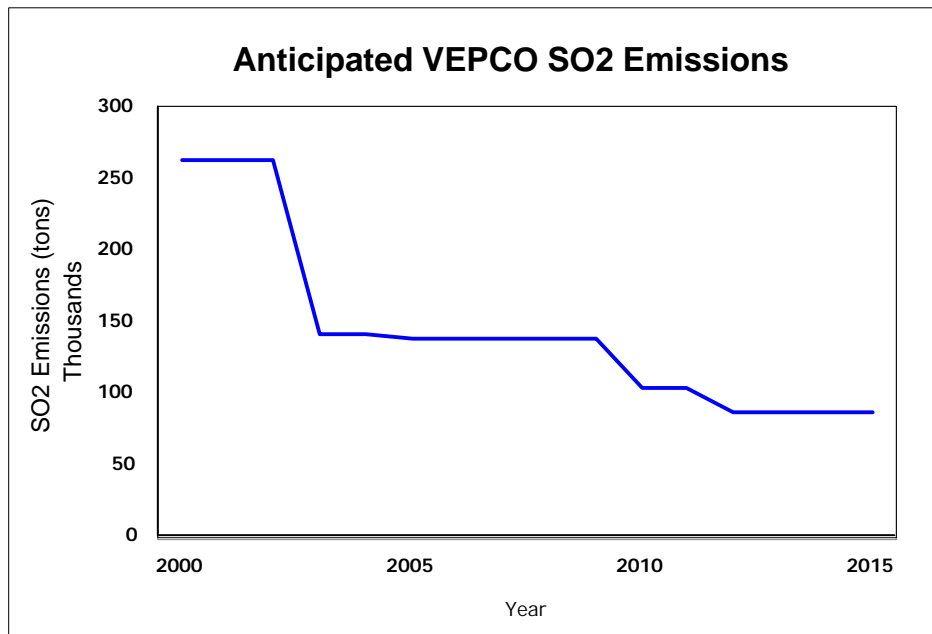
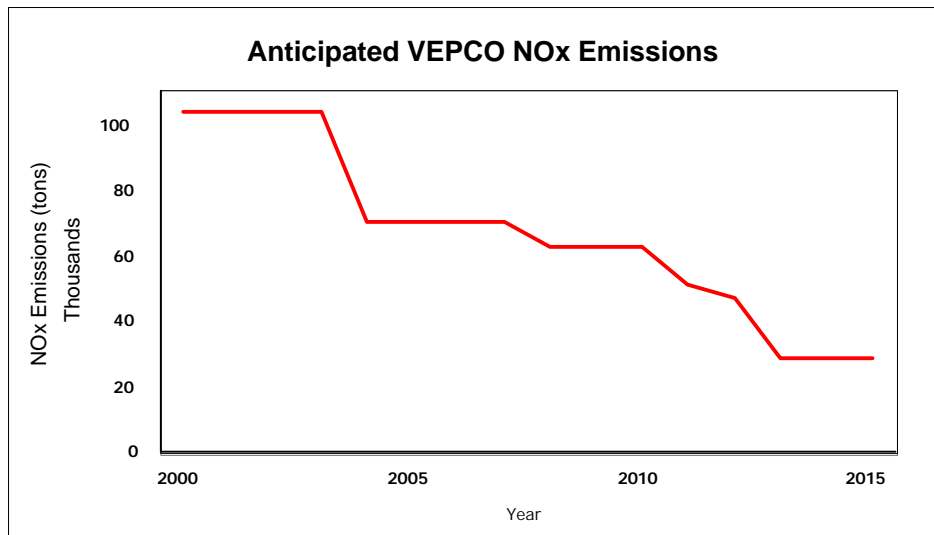
***Civil Penalty:*** VEPCO will pay a \$5.3 million civil penalty.

***State and Federal Partnerships:*** The settlement reflects the culmination of a well-coordinated partnership between EPA, the Justice Department and the States of New York, New Jersey, Connecticut, Virginia, West Virginia and the National Park Service. Each of the states participated in the case and its settlement.

***Location of VEPCO Coal-Burning Power Plants in Virginia and West Virginia:***

- Bremo Power Station (located in Fluvanna County, Va., near the James River)
- Chesapeake Energy Center (near Chesapeake, Va., on the Elizabeth River)
- Chesterfield Power Station (in Chesterfield County, Va., on the James River)
- Clover Power Station (in Halifax County, Va., on the Staunton River)
- Possum Point Power Station (in Virginia, about 25 miles south of Washington, D.C., on the Potomac River).

- Yorktown Power Station (near Williamsburg, Va., on the York River)
- Mount Storm Power Station (located in northeastern West Virginia, in the Allegheny Mountains)
- North Branch Power (also located in West Virginia)



**Source: Office of Enforcement and Compliance Assurance, U.S. EPA, April 17, 2003**